

# RETIREMENT TODAY

TEACHERS' FUND FOR RETIREMENT

OCTOBER 1998

## TFFR Celebrates 85 Years

### Check out the new look for Retirement Today!

The Retirement and Investment Office is updating and changing the look of the Report Card, Retirement Today and Your Vested Interest newsletters. We've incorporated our apple graphic from the RIO logo, and added a fresh new design to each publication.

Let us know what you think... can you read everything... should we add new topics (what might interest you)... do you have tips or a story you would like to share with other retired teachers...?

We welcome your input and suggestions. These newsletters are an important source of information about your retirement plan. Help us make them the best they can be!

*Enjoy!*



**NORTH DAKOTA  
RETIREMENT AND  
INVESTMENT OFFICE**

*Teachers' Fund for Retirement  
State Investment Board*

### Senate Bill #85 Turns 85

Looking back on it, the whole thing went through with amazing smoothness.

On January 20, 1913, Senate Bill No. 85 was introduced into the State Legislature: "A Bill for an Act creating a Teachers' Insurance and Retirement Fund and providing for its maintenance

and disbursement." Six weeks later, with only minimal changes and a combined vote of 144 to 10 in its favor, the bill had cleared both houses and on

March 11, 1913 was signed into law by Governor Louis B. Hanna. On July 1, 1913, a new entity of state government began its work.

*The Teachers' Fund for Retirement (TFFR) continues its work today through its mission "to advocate for, develop, and administer a comprehensive retirement program for all trust fund members within the resources available."*

### Membership Survey Results

Last May, the TFFR Board conducted a membership survey. Questionnaires were mailed to 1,200 randomly selected TFFR members (800 active and 400 retired). Thirty eight percent of the sample responded. This assures a margin of error no greater than 4.5% and a confidence level of 95%, according to the UND Bureau of Governmental Affairs who compiled the survey results. Here are the highlights:

- 71% of the respondents have average to above average understanding of TFFR benefits.
- 97% rate TFFR publications average to excellent.
- 67% are satisfied with the way benefit improvements have been made in the past.
- 50% are not sure if they would participate in a "Prefunded Health Insurance Program," 16% said they would, and 30% said they would not.
- 67% rank a multiplier increase for active members and a benefit increase for retirees as the number one priority.

• 21% rank creation of a "Prefunded Health Insurance Program" as the number one priority.

- 72% do not want to reduce the school district contributions with actuarial reserves.
- 53% are in favor of an internet site.
- 43% do not favor the use of an automated voice response system.
- 93% have moderate to high confidence in the administration of the retirement plan.
- 82% are or were classroom teachers and 13% hold or held administrative positions.
- 55% are active members and 43% are retired members or beneficiaries.

The Board is using the results of the survey to determine priorities for using actuarial reserves, if any, for benefit improvements and to help establish service priorities.

A big thanks to retirees who took the time to complete and return the questionnaire. We appreciate your valuable input.

## ***Hello Members!***

### **1913–1998: 85 Years of Pension Plan Administration**

I wish I could have been at the first TFFR Board meeting held 85 years ago. According to the Fund's records:

*"After Governor Hanna signed the commissions formally appointing Clara Struble of Grand Forks, Peter Berg of Dickinson, and John Haig of Devils Lake as the first Board of Trustees of the Teachers' Insurance and Retirement Fund (TIRF), the group held their first meeting on August 14, 1913. (Other board members included State Superintendent Ed Taylor and State Treasurer Gunder Olson.) The first order of business during the meeting was election of officers. Haig, as senior member both in terms of age and educational experience in the state, was elected as President. Since Berg had indicated an interest in tackling the exacting duties of Secretary, the position of Vice President went by default to Clara Struble. It is recorded that the board's first official action was to direct Berg to buy a minute book."*

*(Excerpt taken from "Pensions For Pedagogues: A History of the North Dakota Teachers' Fund for Retirement, 1913-1988.)*

Well, after 85 years of board meeting minutes and board member changes, the purpose of the TFFR Board remains the same. The Board is still responsible for administering the TFFR retirement program. How do they do this?

At a minimum, the Board meets six times each year. The first order of business each fiscal year is to elect board officers. Recently, at their first meeting of the year, the seven-member board re-elected Mark Sanford as President and elected Barbara Evanson as Vice President. In addition, the Board selected three members to serve on the State Investment Board. They are: Mark Sanford, Barb Evanson, and Norman Stuhlmiller. Kathi Gilmore (State Treasurer) also serves on both the TFFR and State Investment Boards. Finally, the TFFR Board selected three members to serve on their Benefits/Services Committee. They are: Wayne Sanstead (State Superintendent), Paul Lofthus, and H.L. "Curly" McLain.

Also at their first meeting, the Board undergoes a thorough annual review of



*Fay Kopp  
Retirement Officer*

their mission, goals, actuarial assumptions and methods, investment policy statement, and program policies. They then set an annual calendar and board education plan. That calendar, which serves as the basis for each board meeting agenda, includes planning legislative strategy; developing administrative rules; reviewing the Fund's annual actuarial report and related actuarial studies; monitoring budget, financial, and audit reports; developing program policies; reviewing retirement trends and statistical reports; and determining the services to be provided to TFFR members and employers.

As we look back to that first meeting 85 years ago, we see that the TFFR Board continues their work of maintaining a sound pension program for teachers. And just as a teacher develops his/her lesson plan for the year, the TFFR Board develops its calendar and education plan and sets its course for the year ahead.

### **Stuhlmiller Re-appointed to the Board**



*Norman Stuhlmiller*

Governor Schafer recently re-appointed Norman Stuhlmiller to the TFFR Board of Trustees for a five-year term. Mr. Stuhlmiller was selected from a list submitted by the ND Retired Teachers Association. Norm has been a TFFR board member since 1995 and represents retired teachers. He was also selected to continue serving on the State Investment Board.

Thanks, Norm, for your efforts on behalf of all TFFR members—both retired and active.

*TFFR board members celebrate 85 years. From left: Paul Lofthus, Mark Sanford, Norm Stuhlmiller, H.L. "Curly" McLain, and Barb Evanson. Not pictured: Kathi Gilmore and Wayne Sanstead.*



# Retirement...

## The Decision of a Lifetime

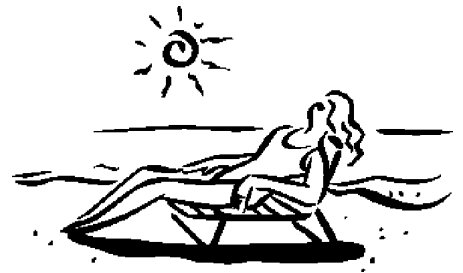


The decision to retire truly is a lifetime decision as far as TFFR is concerned. State statutes define retirement as "cessation of covered employment and acceptance of a benefit." State administrative code goes on to say "retirement benefits may not be issued to a teacher who has terminated a teaching position only for the summer months or for a leave of absence." In fact, a recent memorandum from TFFR's legal counsel states that "if a teacher has not completely ceased the employment relationship, the teacher has not retired, and is not eligible for retirement benefits. Therefore, a teacher's resignation with an agreement to continue teaching the next school year is not ceasing the employment relationship." Because the Internal Revenue Code prohibits in-service distributions from defined benefit plans like ours, if there is only a token cessation of service, the IRS takes the view that this is a subterfuge and that no retirement really took place.

If, through an internal audit or other investigation, it were found

that a member did not really "retire," the member would be returned to "active" status and would begin paying assessments into the Fund. The member would also be required to reimburse the Fund for any retirement benefits received by that member. Sound serious? It is.

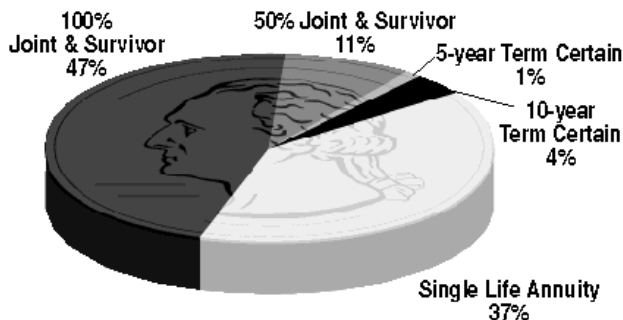
This decision to retire only applies to North Dakota public schools and state institutions covered by TFFR. It does not apply to North Dakota public colleges and universities, private schools, employment outside of education, or out-of-state employment. A teacher may be employed by any of these entities immediately after retirement with no loss in TFFR benefits. *(A retired teacher may also return to TFFR covered employment in limited instances. See article on next page.)*



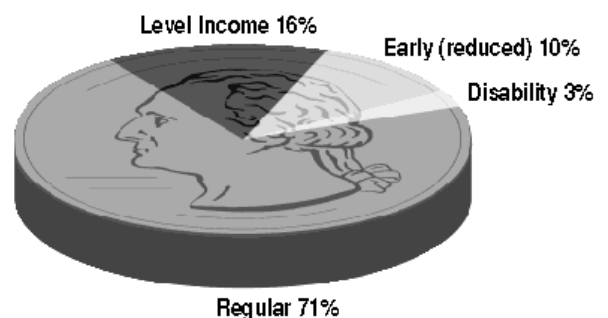
## What Option???

*In the 1997-98 fiscal year, 300 TFFR members began drawing their TFFR retirement benefits. The average retiree's age was 60 years and service credit was 29 years. What option did they select?*

### RETIREMENT OPTION



### RETIREMENT TYPE





# ***They Want Me Back!***

## **THE YEAR 2000 TFFR IS READY**

RIO's Information Systems staff began working on year 2000 solutions early in 1997. We verified compliance or corrected problems in the following areas:

- Mainframe programs that previously used a 2-digit format for the year
- Programs from outside vendors
- The state's mainframe computer
- Personal computers used in our office

No one can guarantee that the transition to the next century will be made without any computer problems, but TFFR members can be certain that we plan to be ready for the year 2000, and that retirement payments should not be affected.

*Employer: "Enjoying your retirement? Good. How would you like to come back and help out at the school?"*

*Retired teacher: "Well, I don't know. Let me call RIO and find out if I can."*

Over the past few years, school districts and state institutions have begun to employ more retirees, particularly on a part-time basis. Members have been retiring at earlier ages and this has produced a supply of qualified individuals to fill available positions.

The TFFR Board realizes that utilizing retirees in certain positions can be beneficial to both the employer and the retiree. However, the Board has endorsed statutory regulations that govern the employment of TFFR retirees simply to protect the actuarial and financial status of the retirement system. The Board also recently approved a policy on monitoring retired members who return to TFFR covered employment. Beginning July 1, 1998, employers are required to notify our office of any retired member who is contracted with the employer to provide teaching, supervisory, administrative, or extracurricular services. The reports are necessary because of a trend to contract retirees to fill positions that would normally contribute to TFFR.

Both retirees and employers need to be aware of the specific employment limitations on retirees who are employed by TFFR employers. These limitations apply to North Dakota public schools and state institutions covered by TFFR. They do not apply to North Dakota public colleges and universities, private schools, employment outside of education, or out-of-state employment. The limits do not apply to non-contracted substitute teaching.

Here is a brief summary of the employment limitations contained in state law:

After you retire, you can not return to TFFR covered employment until 60 calendar days elapse from your

TFFR retirement date. (See "Retirement," previous page.) You can then return to covered employment for a maximum of 90 working days and continue to receive your monthly retirement benefit. A working day is defined as four or more compensated hours. Members who return to teach for less than four hours may do so without limitation.

Once you exceed the 90-day limit, you are required to notify our office in writing. Failure to do so may result in the loss of one month's annuity benefit. Upon returning to teach and exceeding the 90-day limit, your monthly benefit will be discontinued. (Note: When a retiree's monthly benefit is suspended, the member is not eligible for legislative retiree benefit increases.) You are then required to begin paying assessments on your earnings. Your employer is required to pay the matching contributions. You will earn service credit during the period of time that assessments and contributions are paid.

The following conditions determine whether or not your returning to teach will affect the amount of your monthly benefit:

If you re-retire with two or more years of additional service credit, your annuity will be the sum of the discontinued annuity plus an additional annuity computed using the current multiplier, the additional service credit, and average monthly salary earned during the period of reemployment.

If you re-retire with less than two years of additional service credit, the assessments plus interest will be refunded, and your monthly benefit will be reinstated.

Please contact our office if you have any questions concerning employment after retirement.

# Summary of 1999 Proposed TFFR Legislation

The following bills were introduced for study at the Legislative Employee Benefits Programs Committee meeting in July. TFFR's actuary, Watson Wyatt Worldwide, is currently preparing the July 1, 1998 actuarial valuation report. Results of the valuation will determine the amount of actuarial reserves available for funding the plan improvements. Detailed bill drafts are available at the Retirement and Investment Office.

## TFFR Study Bill 88 Benefit Increase Bill

- Increases the benefit multiplier from 1.75% to 1.85% for all future retirees.
- Provides a post-retirement benefit increase of \$50 per month for all annuitants and beneficiaries receiving a benefit on June 30, 1999. (These improvements would be funded through actuarial reserves, if available).

## TFFR Bill 90 Retiree Health Insurance Credit Bill

- Provides retired TFFR members with a monthly credit toward health insurance premiums for the State Health Plan administered by NDPERS.
- Monthly credit is \$2.50 multiplied by years of service credit with TFFR. (A general fund appropriation of approximately \$6 million per biennium is requested to fund this bill.)

## Other Bills...

### Study Bill 54

Sponsored by Senator C. Nelson for the ND Council of Educational Leaders

- Allows a retired member to return to teaching for up to one year without losing any benefits if at least 50 percent of the salary earned by that person is placed in an educational foundation.

### Study Bill 49

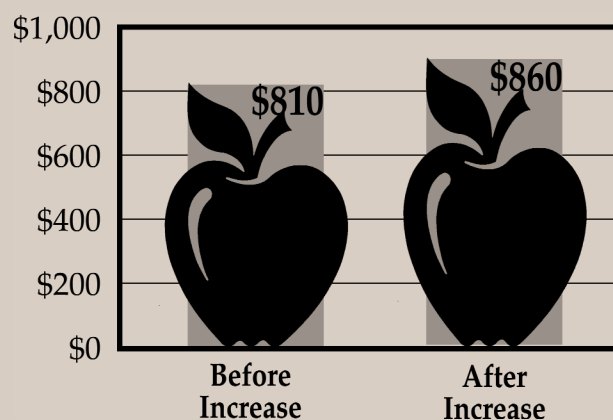
Uniform Management of Public Employee Retirement Systems Act (UMPERSA)

- Adoption of this act affects the authority of the TFFR Board, investments of TFFR and PERS funds, and legal investments of the SIB.

## TFFR Study Bill 89 - Administrative Bill

- Names member's spouse as primary beneficiary unless written consent from the spouse to name an alternate beneficiary.
- Requires spousal consent to member's choice of benefit option.
- Removes 60-month provision for converting fringe benefits to salary.
- Reduces vesting and eligibility for benefits from five to three years.
- Changes early retirement reduction from age 65 to earlier of age 65 or Rule 85.
- Removes availability of partial service retirement.
- Modifies purchase of service credit provisions by:
  - No longer requiring members to be vested to purchase out of state service credit and removing the year for requirement to purchase out of state service credit.
  - Allowing members to purchase leave of absences, private or parochial school teaching service, and "air time."
  - No longer allowing members to purchase college credit.
  - Removing the one year time limit to purchase legislative credit and professional educational organization credit.
  - Removing limits on the amount of additional service credit that can be purchased by a member with the exception of "air time."

## How Will the Proposed Benefit Increase Affect You?



Average retirement benefit before and after July 1, 1999, proposed benefit increase of \$50 per month. (Average benefit of \$810 based on July 1, 1998 data.)

# Retirees Want To Know...

**Q.** Since my monthly retirement benefit is directly deposited to the bank, how will I know the net amount of my first retirement benefit?

**A.** Currently, new retirees are informed of their payment amount through a retirement letter that is sent a week or two after the first payment is directly deposited. In addition, direct deposit statements are issued each quarter. However, since the letter and statements are sent after the first payment is directly deposited, members should check with their bank or call us for confirmation of the exact amount.

To respond to member's requests for earlier confirmation of the exact payment amount, RIO is in the process of developing an Account Change Notice that will be issued

before the first payment. This notice should help alleviate the problems in determining the net benefit amount. In addition, a Change Notice will also be sent when a monthly benefit is changed due to a legislative increase, a tax withholding, or a direct deposit change, or when a beneficiary is updated.

**Q.** When do you mail the retirement checks?

**A.** Retirement checks are mailed to retirees on the last working day of the month. Hopefully, you should have it a day or two later. However, when you choose to receive a mailed check, the Postal Service determines your date of receipt, not RIO.

If you wish to receive your payment by direct deposit, it will be

in your bank account on the first working day of each month. Currently, over 80% of all TFFR retirement benefits are paid by direct deposit. If you want to sign up, contact us for a direct deposit form.

## **TFFR Board of Trustees**

Mark Sanford, *President*

Barb Evanson

Paul Lofthus

Norman Stuhmiller

Harley McLain

Kathi Gilmore

Wayne Sanstead

## **RIO Administrative Office**

Scott Engmann, *Executive Director*

Steve Cochrane, *Investment Director*

Fay Kopp, *Retirement Officer/Editor*

## **ND Retirement and Investment Office**

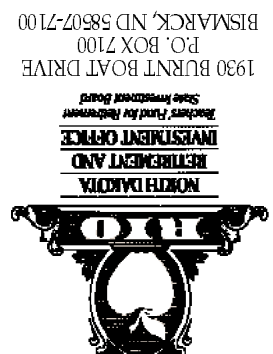
1930 Burnt Boat Drive, P.O. Box 7100

Bismarck, ND 58507-7100

701-328-9885, ND toll free: 1-800-952-2970

Relay ND: 1-800-366-6888

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